

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-09 IO-10 ISO-00 SP-02 AID-05 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04

OPIC-06 LAB-04 SIL-01 PA-02 PRS-01 SAM-01 /119 W

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R 100900Z SEP 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 3174

INFO USDEL MTN GENEVA

USMISSION GENEVA

USMISSION OECD PARIS

USUN NEW YORK 2016

UNCLAS TOKYO 12690

DEPT PASS EXIM FOR MINIKES

E.O. 11652: N/A

TAGS: EAID, EMIN, ETRD, JA

SUBJECT: JAPAN'S EXPORT-IMPORT BANK TO PROVIDE LOANS TO JAPANESE  
ENTERPRISES FOR IMPORT OF CERTAIN COMMODITIES FROM  
DEVELOPING COUNTRIES

1. JAPAN'S MINISTRY OF FINANCE, MINISTRY OF INTERNATIONAL  
TRADE AND INDUSTRY, AND EXPORT IMPORT BANK HAVE AGREED TO  
INITIATE A PROGRAM OF SEMI-CONCESSIONAL EXIM AND CITY BANK  
LOANS TO JAPANESE ENTERPRISES TO FINANCE THE IMPORTATION  
FROM DEVELOPING COUNTRIES OF EIGHT DESIGNATED COMMODITIES  
ARRIVING AT JAPANESE PORTS ON OR AFTER SEPTEMBER 15:  
BAUXITE, NICKEL, MOLYBDENUM, TUNGSTEN, LEAD, ZINC, PULP,  
AND COPPER. (SUCH LOANS HAD BEEN PROVIDED TO FINANCE  
IMPORTATION OF COPPER SINCE JFY 1974.)

2. EXIM WILL EXTEND A TOTAL OF 28 BILLION YEN (APPROX 94  
MILLION DOLLARS AT 298 YEN/DOLLAR) IN LOANS FOR THIS  
PURPOSE, OF WHICH 17 BILLION YEN (57 MILLION DOLLARS)  
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WILL BE EARMARKED FOR COPPER IMPORTS. EXIM LOANS WILL

BE AT 8 PERCENT AND REPAYABLE IN ONE YEAR. CITY BANKS WILL EXTEND A TOTAL OF 14.6 BILLION YEN (ABOUT 50 MILLION DOLLARS) IN LOANS, OF WHICH 7.3 BILLION YEN (ABOUT 25 MILLION DOLLARS) IS EARMARKED FOR COPPER. RATIO OF MIXED EXIM-CITY BANK LOANS WILL THUS BE 70-30 FOR COPPER AND 60-40 IN CASE OF OTHER SEVEN COMMODITIES. AVERAGE RATE FOR MIXED LOANS EXPECTED TO BE UNDER 9 PERCENT, COMPARED TO PREVAILING CITY BANK RATES AROUND 9.5 PERCENT.

3. EMBASSY COMMENT: RECESSION IN JAPAN MANIFESTING ITSELF IN DECREASING DEMAND FOR IMPORTS HAS DEALT HARD BLOWS TO ECONOMIES OF NEIGHBORING ASIAN DEVELOPING COUNTRIES HEAVILY DEPENDENT ON JAPANESE MARKETS FOR THEIR EXPORTS. DROP IN JAPANESE DEMAND FOR PHILIPPINE COPPER, FOR INSTANCE, DEVELOPED INTO SIGNIFICANT BILATERAL PROBLEM. NEW LOAN PROGRAM IS BEING TOUTED BY JAPANESE AS MEASURE TO SUSTAIN EXPORTS AND FIGHT RECESSION IN LDC'S, ESPECIALLY NEIGHBORING ASIAN COUNTRIES. COMMODITIES INCLUDED IN PROGRAM ARE IN FACT OF PARTICULAR IMPORTANCE TO THE EXPORT EARNINGS OF THOSE COUNTRIES SUPPLYING THEM TO JAPAN. HOWEVER, PROGRAM IS ALSO CLEARLY AIMED AT SECURING DEPENDABLE SUPPLY FOR JAPAN OF COMMODITIES INVOLVED. MITI, PRIME MOVER BEHIND SCHEME, HAS EXPRESSED HOPE THAT PROGRAM WILL PREVENT FURTHER DECLINE IN JAPANESE IMPORTS AND KEEP COPPER IMPORTS AT 70 PERCENT OF LAST FISCAL YEAR'S LEVEL AND OTHER COMMODITIES AT 90 PERCENT LEVEL, BUT THIS MAY BE DIFFICULT IN LIGHT OF PRESENT HIGH INVENTORY LEVELS IN JAPAN. END COMMENT.  
HODGSON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COMMODITIES, IMPORTS, EXPORTS, LOANS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 10 SEP 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975TOKYO12690  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750312-1151  
**From:** TOKYO  
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**Legacy Key:** link1975/newtext/t19750964/aaaacetr.tel  
**Line Count:** 91  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MartinML  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 31 MAR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <31 MAR 2003 by MaustMC>; APPROVED <28 JAN 2004 by MartinML>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** JAPAN'S EXPORT-IMPORT BANK TO PROVIDE LOANS TO JAPANESE ENTERPRISES FOR IMPORT OF CERTAIN COMMODITIES FROM  
**TAGS:** EAID, EMIN, ETRD, JA, XMB  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006